

DEPARTMENT OF RECREATION & PARKS
WINE IN THE WOODS
SEPTEMBER 1997

September, 1997

The County Council and County Executive
of Howard County, Maryland

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, we
have conducted a review of selected activities of the

DEPARTMENT OF RECREATION AND PARKS
WINE IN THE WOODS

and our report is submitted herewith. The scope of our examination related specifically to a review
of the revenues and expenditures of the 1996 festival.. The body of our report presents our findings
and recommendations.

The contents of this report have been reviewed with the Chief Administrative Officer and the
Department of Recreation and Parks.. We wish to express our gratitude to the Department of
Recreation and Parks, Finance and County Administration for the cooperation and assistance
extended to us during the course of this engagement.

Ronald S. Weinstein, C.P.A.
County Auditor

Stephen E. Peters, Jr., C.P.A.
Auditor-in-Charge

DEPARTMENT OF RECREATION & PARKS
WINE IN THE WOODS

Review of Program

TABLE OF CONTENTS

	<u>PAGE</u>
Letter of Transmittal	
Summary - - - - -	i
Introduction and Scope - - - - -	1
Revenues - - - - -	1
Expenditures - - - - -	9
Profitability - - - - -	13

SUMMARY

Wine in the Woods is a wine festival held annually by the Howard County Department of Recreation and Parks in Symphony Woods at the Merriweather Post Pavilion. Our audit was based on the fourth of these which was held on May 18 and May 19, 1996, and drew approximately 15,000 people. Another festival has since been held, on May 17 and 18, 1997. The revenue has grown from \$143,000 in 1993 to \$198,000 in 1996. This audit looked at three principal areas: internal controls over cash, profitability of the festival and a comparison of Howard County's contracts to similar contracts of other local jurisdictions.

We noted deficiencies and made recommendations in certain areas. Some of them are:

- In our review of controls, we found that the tickets to the festival are cash equivalents and need to have the same controls as cash. Free tickets are issued to certain V.I.P.'s, but there was no listing of the names of these people. We recommended that a listing of these people be maintained.
- There is a loss of control in the system of collecting cash from the gates and returning it to the central control point. We have recommended a modified system which should provide better controls.
- Promotional items are sold at the festival each year and the items left over are kept for the next year. However, there is not an inventory taken of these items after the festival. Our recommendation is that inventories be taken before and after the festival and compared to sales.
- With respect to revenues, there are problems with the calculations used to determine the gate receipts which resulted from co-mingling free tickets with paid tickets. We recommended the use of different color tickets to alleviate this problem.
- The County is being reimbursed by the Association of Maryland Wineries for its use of electricity and ice, but this is not spelled out in the contract with the Association. We recommended that it be included in future contracts.
- With respect to expenditures, we noted that the employees of the Department of Recreation and Parks do not accurately track their time spent on Wine in the Woods. We recommended that they keep a log of employees' time spent on the festival.
- The revenues and expenditures of Wine in the Woods are co-mingled with other recreation programs in the County's accounting system, making them difficult to track. We recommended that Wine in the Woods be assigned its own activity code in the accounting system.

- We noted that the cost allocation plan assigned many costs to the General Fund portion of Recreation and Parks instead on the Self-Sustaining Fund. We recommended that the Self-Sustaining Fund be considered separately from the General Fund.
- Overhead costs are not being considered as part of the expenditures of Wine in the Woods. Our recommendation is that they be considered as a cost of the festival.
- We found that security personnel not regularly employed by the County were being paid in cash and that the amount paid out did not match the amount of receipts signed by the security personnel. We recommended that the security function should either be contracted out to a private company, procured and paid through the normal purchasing pattern, if the costs are comparable. If not, the security personnel should be paid by check.
- After our adjustments of revenue and expenditures related to the 1996 Wine in the Woods, it appears that the festival resulted in a loss to the County. We recommended that the Department of Recreation and Parks should account for the costs of festival in a better manner and price the event to make a profit or break even. If that cannot be done, the County Executive and County Council should make a policy decision after consideration of all economic factors, to either subsidize the event or discontinue it.

We compared the County's contract with the Association of Maryland Wineries with similar contracts used in Baltimore and Carroll Counties. We found that Howard County has the most favorable contract of the three. The cost savings of our contract is \$19,500.

INTRODUCTION AND SCOPE

Wine in the Woods is an annual wine festival sponsored by the Howard County Department of Recreation and Parks and held on a weekend in May. It is budgeted as part of the Recreation and Parks Self-Sustaining Fund. At the time of our audit, the 1996 festival was the most recent. It was the fourth Wine in the Woods, the first having been held in 1993. The festival features Maryland wines, as well as food, crafts and music. The 1996 event drew approximately 15,000 people.

People attending the festival are divided into three groups: wine tasters, non-drinkers/designated drivers and youth. For the 1996 festival, the adult tickets cost \$13 per person and the youth tickets cost \$5 per person. Wine tasters receive a ticket for an imprinted souvenir glass and ten drink tickets which are each good for a one ounce sample of wine. Non-drinkers and designated drivers receive a ticket for a glass and four drink coupons good for soft drinks or grape juice. The youth ticket comes with two coupons good for soft drinks or grape juice.

This audit looked at the revenues and expenditures of the 1996 Wine in the Woods. On the revenue side, we looked closely at the internal controls over cash, since the revenue generated from this event is mostly in that form. As part of our examination of expenditures, we compared the contracts with the various vendors of food, wine and crafts to determine how they compare with other, similar wine festivals. Finally, we looked at the profitability of the event.

REVENUES

The Department of Recreation and Parks provided us with a schedule showing the revenues and expenditures of the 1996 Wine in the Woods (Attachment 1). From this schedule, we found that there are six sources of income for the festival. They are: admissions, promotions, crafts, food, sponsorship, and wineries.

Admissions is the largest source of revenue for the festival. Different color tickets are used to identify the different types of patrons. In 1996, the wine tasters on Saturday received a pink ticket while those on Sunday received a green ticket. Non-drinkers received white tickets on Saturday and beige tickets on Sunday. There were also 194 V.I.P. tickets issued which were yellow. We were told that some of the V.I.P.'s were certain elected officials, but most were representatives of companies which provided some form of sponsorship for free. In some cases, the amount of free sponsorship exceeded \$15,000, and the total estimated free sponsorship was \$88,725. It should be noted that the

valuation of the free sponsorship was left to the sponsors. We asked for a list of the V.I.P.'s, but there was not one available. Volunteers at the event, including those people who worked at the wineries' stands, were also issued free tickets to the events. The wineries were limited to 40 tickets per winery per day. While their report on the festival showed 792 volunteers had received free tickets, the Department of Recreation and Parks could only account for 688 of these people. This included eight of the nine wineries. No information was available on the ninth winery, but even if they had used their entire allotment of 80 tickets over both days, only 768 volunteers would have been accounted for, 24 less than the number of free tickets issued. The issuance of free tickets to an event is an area which has the potential for abuse and should be closely monitored. Therefore, we recommend that:

1. **The Department of Recreation and Parks maintain a listing of all people who are issued free tickets to Wine in the Woods.**

Administration's Response:

Special Events implemented this in '97 by keeping lists of all vouchers and VIP tickets that were issued from this division and by labeling the ticket backs with the organization/department names so as to better track the use of these tickets. It has been further recommended that the Volunteer Coordinator provide sign-in sheets that correlate to the volunteer ticket numbers and that each winery be assigned forty (40) tickets per day that will be set aside with the winery name on the envelope.

The Department of Recreation and Parks also issues vouchers which may be exchanged for tickets to Wine in the Woods. We obtained a listing which shows that 345 vouchers were issued. About half of the vouchers, 172 of them, were used by Recreation and Parks staff who worked at the event. There were eighteen food vendors and each was allowed up to four tickets each. They used a total of 50 tickets. Six vouchers were purchased as gifts. Some were used as prizes for promotional purposes, to help provide some free publicity for the event. The rest were divided among other significant administrative people, such as the Maryland Recreation and Parks Association, County Department Heads, Park Board Members, Columbia Association and Columbia Council, and the press.

Before the wine festival starts, the Department of Recreation and Parks obtains a cash advance from the Department of Finance to use for change. A Direct Payment Claim is prepared in

the name of the Chief of the Bureau of Recreation, who is also the custodian of the Recreation and Parks bank account. When the check is prepared, he picks it up, takes it to the bank and gets the change. He is accompanied by another Recreation and Parks employee for security reasons. The change is then taken to the safe in Recreation and Parks, where it will stay until needed.

There are two gates for entry to the festival grounds. At each gate, there are four lines. Each line has four people working. One person checks identification, to make sure that the ticket buyer is of legal drinking age if they are buying a wine taster ticket. The next person stamps the hand of the ticket buyer to identify the type of ticket being purchased, so that once inside the festival grounds, ticket buyers with different types of tickets may not exchange tickets. The third person takes cash and makes change, if necessary. An amount is provided for change at the beginning of the day. The fourth person issues the tickets.

The Administrative House at Merriweather Post Pavilion is used as the central control point for cash. A police officer guards this house during the day, while the money is present. At various times during the day, two employees are sent from the Administrative House to each of the gates, where they collect cash. Generally, they take most of the money available, leaving enough to make change. The exact amount taken is not recorded. Since this often happens during very busy periods, it is not practical to stop a line while a cash count takes place. The employees then take the cash back to the Administrative House, where the cash will be reconciled with the tickets sold. Deposits will be made to the bank during the day. A uniformed police officer will accompany the person making the deposit to the bank. At the end of the day, a final deposit is made and any remaining cash is returned to the Recreation and Parks safe.

Part of this method of cash collection does not include sufficient controls. The controls over the initial collection of cash from festival patrons are sufficient, but the controls break down when the secondary collection, from the gates to the Administrative House, occurs. At that point, there is no individual responsibility for cash collection. If a shortage or overage were to occur, it could not be traced to any individual because of the co-mingling of cash from all eight lines. We spoke to Recreation and Parks personnel about this and they realize the lack of control. They suggested a system whereby a predetermined amount of tickets and change would be placed into envelopes. When it is time for a cash collection, or if tickets or change is running low, all of the cash and unsold tickets would be placed back into the envelope and sealed and a new envelope would be opened and used from that point. The old envelopes would be taken to and counted at the Administrative House.

Any shortage or overage would be detected there. We concur with this idea, but with one modification. The envelopes should be pre-numbered and the number recorded along with the line to which it is assigned. This would identify the source of any problems which may occur. Therefore, we recommend that:

2. **The Department of Recreation and Parks use pre-numbered envelopes with predetermined amounts of cash for change and tickets when making collections from the gates at Wine in the Woods. All of the cash and unused tickets will be placed into the old envelope to be returned to the central control point and the contents of the new envelope will be used from that point.**

Administration's Response:

This method was implemented in '97. It has been further recommended that in '98 we used re-designed admissions tickets that have pre-numbered ticket stubs that will be deposited in locked boxes at the end of each admission lane. These stubs can then be matched to deposits (we are asking that the tickets be bundled into stacks of fifty each with the patron receiving their portion of the ticket while the cashier maintains the stub). Another suggestion has been to rotate the personnel collecting gate receipts annually or biennially.

The Department of Recreation and Parks also sells promotional items at Wine in the Woods. These include items such as tee shirts, sweatshirts, hats, coasters, food trays, wine totes and visors. The items have the Wine in the Woods logo on them. This logo does not change from year to year and the promotional items are not dated, so that they do not become obsolete. For each item sold, a receipt is written, which provides a record of all sales. Cash is collected from the promotions stand in the same manner as the gate collections, but the money is kept separate from the gate receipts.

We obtained a report from Recreation and Parks which shows the number of promotional items sold. They obtained this information from their receipts. The total amount of sales from the receipts was \$5,527. However, they showed that they had collected cash in the amount of \$5,900. There was a notation that the \$373 difference was due to receipts which were not written. We asked what had happened. We were told that during busy periods, the people working at the stands forget to write receipts. The difference between the cash collected and the receipts written would show the value of the receipts not written. We asked if there was an inventory of promotional items taken which would show the expected amount of sales. We were told that there is an inventory taken before Wine in the Woods to determine which items need to be reordered, but that no inventory is

taken again until it is time to order for the next year's festival. In between, some items are donated to help promote the next year's event, but there is no recordation of the donation. In order to provide better control over promotional items inventory, we recommend that:

3. **The Department of Recreation and Parks take inventory of promotional items both before and after Wine in the Woods and compare the expected sales from the inventory to the actual sales.**

Administration's Response:

This process was implemented in '97. It has also been recommended that a cash register be used to record sales of promotional items.

4. **The Department of Recreation and Parks record all donations of promotional items, including donee's name and date of donation.**

Administration's Response:

This process was implemented in '97 and will be continued.

We asked to see the receipts, but we were told that they were destroyed after the festival. County Policy and Procedure 100.22 states that the recommended retention period for receipts is four years. There is a cut off at year end. Records should be retained for three additional years after year end, then destroyed. For example, the 1997 Wine in the Woods is being held in May 1997. The end of the fiscal year is June 30, 1997, which would be the first year of retention. Receipts should be destroyed after three additional years, which would be after June 30, 2000. We recommend that:

5. **Receipts for promotional items be retained for four years, in accordance with County Policy and Procedure 100.22.**

Administration's Response:

The '97 event's receipts have been stored and will be held for inspection for the recommended four year period. This process will be implemented at all future festivals.

We attempted to match up the reported income to the amount of cash deposited. From records obtained from the Department of Finance, we found that the deposit for Wine in the Woods

was \$174,230. This included the gate receipts and promotional items. From the bank statement, we found that most of the deposits were credited on Monday, May 20, 1996. Since deposits are not recorded over the weekend, this would be the proper date. However, we determined that there were two deposit tickets, one for \$7,767 and one for \$2,820 which were deposited on May 23, 1996. This was the Thursday after the festival. We found that an error in the amount of \$30 had occurred on a deposit dated May 20, which was rejected by the bank. The two deposits on May 23 corrected that error.

Verifying the cash deposited to the amount reported was made difficult by the fact that we received a few different reports, each of which showed different figures and some of which had noticeable errors. The statement of revenues and expenditures showed income from admissions of \$168,483 and promotional income of \$5,939, a total of \$174,422, which is \$192 more than the amount deposited. A handwritten statement of deposits shows deposits from admissions of \$168,355 and from promotional of \$5,901, a total of \$174,256, which is \$26 more than the amount deposited. There was a report prepared by the Promotions Committee for Wine in the Woods which shows two figures, a typed amount of \$5,900 and a handwritten adjustment of \$32 which brings the total to \$5,932.

Another report compared gate receipts with the number of wine glasses redeemed. In theory, since each adult entering the festival receives a ticket for a wine glass, the number of tickets redeemed should be equal to or slightly less than the number of tickets issued plus the number of volunteers, since each volunteer also receives a wine glass. In fact, the report showed that the difference was 16 fewer glass redeemed. The report arrived at a gate receipt figure of \$170,287 by multiplying the number of wine glasses by \$13 (the cost of an adult ticket), then backing out \$13 for each V.I.P. ticket issued, each voucher redeemed and each volunteer. This amount was reduced by \$2,411 in cash payments for security (discussed under Expenditures) which reduced the amount for deposit to \$167,876. However, we noted that while 194 V.I.P. tickets were issued, only 140 were redeemed for glasses, a difference of 54. Since only 16 out of 14,217 glasses were not redeemed, it would seem likely that the number of V.I.P.'s in attendance was closer to 140 than 194. If the calculation of gate receipts was computed using the lower V.I.P. figure, the amount would be \$168,578. We also noted that there were 346 vouchers redeemed. The listing of vouchers that we received showed only 345 issued. Because the difference could have been caused by a minor bookkeeping error and because the amount, \$13, is immaterial, we pass further pursuit of this difference.

We also received a report called the Final Justification Report. This report shows the total number of people through the gates, then backs out the V.I.P.'s and vouchers. This results in a total of \$170,495, which is reduced by the cash payout for security of \$2,411, reducing the amount available for deposit to \$168,084. This report used the same figures for V.I.P.'s and vouchers as the glass redemption report. If the lower figure for V.I.P.'s was used, the amount available for deposit would be \$168,786. Also, this report shows that the grand total of people in attendance was 15,355. In computing this number, the V.I.P. and voucher people were counted twice. The actual number of people in attendance, including volunteers, should be 14,815. We have noted on these last two reports that many of these reporting problems relate to the V.I.P.'s, people with vouchers and volunteers being added into the gate receipts and then being backed out of the total. This results from the fact that the same color ticket that is issued to paying patrons is also issued to people with vouchers and volunteers. Since there is already a system of different color tickets in place to identify different types of patrons, we believe that two more colors would help alleviate these bookkeeping problems. Therefore, we recommend that:

6. *The Department of Recreation and Parks issue two other colors of Wine in the Woods tickets, one for people with vouchers and one for volunteers.*

Administration's Response:

This process was implemented in '97. It has also been decided to implement another ticket color for pre-sale tickets to maintain better control/accountability and keep separate from gate receipts.

Since these tickets would have no cash value, they would not affect the pre-numbered envelopes from Recommendation #2.

While these reports all produced different numbers, it appears that each produces figures which are higher than the amount deposited. It appears that the most reasonable approach to figuring out the gate receipts is in the Final Justification Report. For the promotional items, the Promotions Committee report seems the most reasonable. If the figures from the Final Justification Report are adjusted for the error in computing V.I.P.'s and added to the Promotions Committee Report, the amount available for deposit may be as much as \$174,718, an amount which is \$488 higher than the deposit. In our discussion of expenditures below, we will also note another potential error of \$408.

This would be a total of \$896 in potential cash losses. It cannot be discerned from the information available whether these are the result of poor controls over cash or poor record keeping or some of both. However, it is obvious that the Department of Recreation and Parks needs to monitor both areas more closely at future Wine in the Woods events.

Another source of income is the food vendors. In 1996, the 19 food vendors paid a flat fee of \$200 each, plus 15% of their sales. The statement of revenues and expenditures shows that the amount of income from food vendors was \$10,015. Backup information obtained from the Department showed income of \$10,078. We asked how the amount of sales from a food vendor could be traced to insure that the County got the 15% of sales. We were told that it was not feasible to check on the vendors' sales and that some abuses may have occurred in prior years. Therefore, for 1997, the Department of Recreation and Parks is going to a tiered, flat-fee system. A portion of the fee is to be paid before the festival, with the balance being paid after the festival. The pricing will be based on the vendor's location within the festival grounds. We concur with this change. If this system does not work well, another possible solution would be to use the old system, but not invite back the lowest grossing vendor in the following year. This would encourage honest reporting.

The crafters provide another source of revenue to the festival. They are charged a flat fee of \$125 for each space used (some use more than one). The statement of revenues and expenditures showed that the 80 crafters paid \$10,000 to the 1996 Wine in the Woods.

Certain companies provide sponsorship for the event. The County received checks totaling \$2,700 for sponsorship. We noted above that some companies provide in-kind sponsorship which was valued at \$88,725.

The wineries pay the County for electricity and ice. The charge for electricity is a flat fee, while the charge for ice is based on the number of bags used and the price to the County per bag. In 1996, this was a total of \$1,114, according to the statement of revenues and expenditures. However, we noted that this provision is not specified in the contract with the Association of Maryland Wineries. We believe that it should be, thereby eliminating the possibility of disagreement over this in future years. Therefore, we recommend that:

7. ***Future contracts with the Association of Maryland Wineries include a provision that the wineries will pay a flat fee for electricity and reimburse the County for bags of ice used.***

Administration's Response:

This recommendation will be included in the contract with the wineries for the 1998 wine festival.

EXPENDITURES

We used the statement of revenues and expenditures as our basis for our review of expenditures. The Department of Recreation and Parks has established a series of committees which each handle a specific area of Wine in the Woods. Each committee keeps track of its expenditures separately and the statement of revenues and expenditures combines these committee reports.

There is an expenditure of \$50,545 listed for payroll. We looked for information to substantiate this amount. We were only able to find this information for some of the committees and much of this was not reliable. For example, the largest payroll expenditure was actually an estimate from the Physical Arrangements Committee. It was for \$21,000 and based on exactly 2,100 hours at \$10 per hour. Another committee report showed detailed information of hours worked and cost per employee. Unfortunately, their total did not add up to the individual totals. Yet another committee considered the cost of employees of another department and was the only one to do so, but this cost would probably best be accounted for as an overhead cost. In order to more accurately determine the true cost of Wine in the Woods, we recommend that:

8. ***Employees at the Department of Recreation and Parks keep a log of their time spent working on Wine in the Woods. The cost of these hours should include the employees' hourly rate plus fringe benefits.***

Administration's Response:

At the start-up meeting for the 1998 festival, hours will be assigned to each committee chair for their work on the event. These hours will then be multiplied by their hourly rate plus fringe benefits.

Auditor's Comment:

While budgeting time is important in the planning process, variances from budgeted amounts often occur. We believe that actual hours should be used to determine the true cost of the event.

We attempted to verify information on the other purchases made for Wine in the Woods. Since the statement of revenues and expenditures only showed total figures, we asked for other backup information. We were given a series of computer printouts, by committee, which showed a detailed list of expenditures other than payroll. However, the totals on the committee reports rarely matched the totals on the statement. The committee reports generally showed lower figures, with a total difference of \$5,240.

We then attempted to verify the expenditures on the committee reports against the records in the Department of Finance. From the Department of Finance's Local Government Financial System (LGFS), we obtained a copy of the expenditures of the Recreation and Parks Self-Sustaining Fund. LGFS lists the expenditures by fund, agency, organization and activity. It would seem logical that all expenditures relating to Wine in the Woods would all be charged to the same place. However, we found one expenditure, \$6,575 for an insurance policy, was charged to the General Fund. The rest of the expenditures were charged to the Recreation and Parks Self-Sustaining Fund, with the same agency and organization, but different activities. Some expenses were charged under Sports and Fitness, some under Administration and some under Special Programs. The statement of revenues and expenditures shows that Wine in the Woods had expenditures of \$191,959 in 1996. We believe that with an event as large as Wine in the Woods has become, a better method of tracking expenditures is needed. Therefore, we recommend that:

9. ***Wine in the Woods be assigned its own activity code under the Recreation and Parks Self-Sustaining Program in future fiscal years.***

Administration's Response:

A separate function code number, 080, was assigned to the 1997 festival. The function code number for the 1998 event will be 030.

We began matching up the expenditures from the committee reports to the line items in LGFS by using vendor names, dates and amounts. We were able to match most of the expenditures to an expenditure listed in LGFS. We then selected a sample of 37 items which we had matched and examined the records in Finance to determine if these charges were proper for Wine in the Woods and to ensure that they were properly approved. We also selected 15 items which were listed in LGFS and appeared that they may have been relevant to Wine in the Woods, but which did not match

any of the figures we had. One expenditure which we had matched by date and amount, but not by vendor, did not relate to Wine in the Woods. All of the other expenditures which we had matched were relevant to the festival. Of the expenditures which we thought may relate to Wine in the Woods, we found that nine of them belonged to the festival. Five of these were for performers and the total of these expenditures matched exactly the difference of expenditures for the entertainment committee between the statement of revenues and expenditures and the committee report. One of the expenditures from LGFS was a partial payment, which, along with another partial payment matched the amount on the committee report. Two other expenditures in LGFS were recorded incorrectly on the committee report, but matched in total. There was one expenditure that we found in LGFS which we did not find anywhere in the committee reports. This was an expenditure of \$4,500 for the radio contract with WRNR-FM.

All of the payments were approved by someone who had proper signature authority. However, we noted that of the payments we selected, seven were approved by employees who work for the Department of County Administration, not Recreation and Parks. These were for various forms of advertising. We found that the Public Information Office spends a large portion of its time working on Wine in the Woods. Other departments outside of Recreation and Parks also provide services for the festival. These costs should be considered as overhead costs to Wine in the Woods, but are not. We looked at the cost allocation plan, prepared for the County by David M. Griffith & Associates, Ltd. for Fiscal Year 1996. We looked under Public Information and noted that certain costs, such as graphics, are allocated based on hours spent per department. However, no graphics hours were allocated to the Self-Sustaining Fund. There was, however, a large charge for graphics to the General Fund portion of Recreation and Parks. We recommend that:

10. **For future cost allocations, the Self-Sustaining Fund in Recreation and Parks be considered separately from the General Fund portion of that department.**

Administration's Response:

The Budget Office concurs and all future expenditures incurred for Wine in the Woods will be paid for out of the self-sustaining fund.

The actual allocation of overhead costs to Wine in the Woods would be difficult to determine. There is an allocation to the Self-Sustaining Fund. We believe that the most feasible allocation would

be based on the percentage of expenditures of the Self-Sustaining Fund that relates to Wine in the Woods. Based on Fiscal Year 1996 information, we determined that the proper allocation to the 1996 Wine in the Woods would have been \$9,259. We recommend that:

11. **The Department of Recreation and Parks consider overhead costs as part of the expenditures of Wine in the Woods.**

Administration's Response:

It is our understanding that the overhead costs are covered in the Government charge-backs to the Department.

Auditor's Comment:

Overhead costs are apportioned to the self-sustaining fund under Recreation and Parks. In preparing a financial report on Wine in the Woods, a portion of these costs should be allocated to the festival as part of the expenditures.

The largest expenditure of Wine in the Woods, aside from payroll, is the contract with the Association of Maryland Wineries. The Association receives 25% of the gate for the first 10,000 wine drinkers and 40% of the gate for all wine drinkers over 10,000. There were 12,995 paid wine drinkers at the 1996 festival and the amount of the gate that went to the Association was \$48,074. This payment was reduced by half of the cost of insurance for the festival, excluding that portion which related to the food vendors and crafters. This reduction was \$2,100 in 1996, bringing the payment to the Association of Maryland Wineries to \$45,974. We compared our contract with other, similar wine festivals in other local counties, the Maryland Wine Festival in Carroll County and the Oregon Ridge Wine Festival in Baltimore County. In both cases, we found that they are charged 40% of the gate for all attendees. If this rate was paid by Howard County, it would have resulted in an additional expense of \$19,500 in 1996.

Recreation and Parks also hires people to provide security and help with parking at the festival. These people are mostly hired from their own staff, other county recreation departments and Merriweather security staff. They are paid in cash from the gate proceeds and sign a receipt for the money. In 1996, the cost of these people was listed as \$2,411. We obtained copies of the receipts from 1996. We found that the total of the receipts was only \$2,003, a difference of \$408. One of the sheets was not a receipt, but a certification of understanding of the scope of the employment.

Another sheet was not signed. Cash payments should not occur. The lack of controls over these payments is made obvious by the difference between the amount paid out and the amount which can be verified. Therefore, we recommend that:

12. ***The security function be contracted to a private security agency, procured through the Office of Purchasing, if that can be accomplished for a comparable cost. If not, the people working security and parking should be paid by check from the Recreation and Parks refund account.***

Administration's Response:

This recommendation was implemented for the 1997 festival. All parking and security staff were paid by check from the Department's refund account. This method will be used for all future Wine festivals.

PROFITABILITY

From the information available to us, it is not possible to determine the true bottom line of Wine in the Woods for 1996. The use of estimated payroll figures, the lack of backup information for expenditures and an assortment of revenue figures contribute to make this task impossible. However, there are some items which are incorrect and would change the bottom line. The cost of security and parking personnel was considered twice on the statement of revenues and expenditures. It was figured into the calculation and reduced income under admissions, then was included as an expenditure under parking/security. This would increase the bottom line by \$2,411. The radio station contract was not included as an expenditure anywhere and this would reduce the bottom line by \$4,500. Consideration of overhead costs would also reduce the bottom line. While we believe that other costs should be considered which would drive the figure higher, we can reasonably add \$9,259 to the expenditures of the event. These changes would reduce the bottom line by \$11,348. If the statement of revenues and expenditures were accurate, this would result in the 1996 event losing \$5,056 instead of making a profit of \$6,292.

However, there is an additional benefit to the County in the form of tourism dollars. We contacted the Tourism Council and found that, through surveys of tourists in other parts of the County, they have found that the average tourist spends about \$55 per day in Howard County on a day trip, \$120 per day if the tourist stays over night. However, there is no data which specifically related to Wine in the Woods. People attending the festival spend money on food, crafts and wine

purchases, but much of that leaves the County since all of the wineries, most of the food vendors and many of the crafters are not from Howard County. We noted that there is an economic benefit to the County, but it is not possible at this time to quantify it without more data. Therefore, we recommend that:

13. *A survey be conducted at the next Wine in the Woods to determine the percentage of non-County residents patronizing the festival, the average amount spent at the festival and at other County Businesses.*

Administration's Response:

Although it is very difficult to ask the public at this event to take the time to fill out a survey, we have determined from our prize drawing applications that approximately 50% of the participants at the festival are out of county. For 1998, we will survey a sample of these out of county participants to determine if they were patrons in any county businesses and thereby, realize a test sample of economic impact.

14. *Consideration be given to giving preferential treatment to entice food vendors and crafters who reside in Howard County to participate in this event.*

Administration's Response:

At the inception of Wine in the Woods, Howard County vendors and crafters were given preferential treatment in that we allowed them to register an earlier date than out of county food and craft vendors. The response was 11 food vendors from Howard County and 9 from outside of the county. By observing the last four years, we have kept a list of vendors interested in participating in the festivals and call them when vacancies occur. We feel that it would be bad business to eliminate the food vendors or crafters from out of the county who have supported us in the last four years to make room for vendors from within the county. We make every effort to fill the vacancies with county vendors first.

Wine in the Woods is a premier entertainment event in Howard County. The attendance at the event and its growth attests to its popularity. However, the lack of accounting procedures may give a misleading presentation of its profitability. It is the responsibility of the Department of Recreation and Parks to ensure that it accounts for all costs and sets up a pricing structure which will produce the maximum benefit to the County.

We recommend that:

15. *The Department of Recreation and Parks take steps to ensure that all costs of Wine in the Woods are considered and that it should make an effort to price the event so that it will make a profit, or, at least, break even. If this cannot be done, the County Executive and County Council should make a policy decision as to whether the County wishes to subsidize or discontinue the event. The other economic benefits noted should be considered in the decision.*

Administration's Response:

The Administration will request a financial report from the Department of Recreation and Parks reporting profits or losses from the Wine in the Woods festival. If it is determined that the festival is operating at a financial loss, the County Executive and Council will make a policy decision as to whether the County wishes to continue this program.